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C O N F I D E N T I A L WARSAW 003010

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TAGS: [EFIN](#) [PREL](#) [I2](#) [PL](#)

SUBJECT: PRESS REPORTS WRONG: POLAND AND IRAQ HAVE NOT
REACHED DEAL ON IRAQI DEBT

REF: WARSAW 0135

Classified By: A/DCM Lisa Piascik, reasons 1.4 (b) and (d)

[1](#)1. (SBU) On the heels of Prime Minister Marek Belka's July visit to Baghdad, several Polish press outlets reported that Belka promised the Iraqi government forgiveness of 80 percent of Iraqi debt, in line with the Paris Club's agreement. However, Poland's Iraq Task Team at the Ministry of Foreign Affairs and contacts at the Ministry of Finance told econoff that the press reports were inaccurate and did not reflect the reality of Belka's meetings with the Iraqi Transitional Government or the position of the Polish government in regards to Iraqi debt.

[1](#)2. (C) Pawel Herczynski from Poland's Iraq Task Team at the MFA said that while Belka and the ITG discussed Iraqi debt in Baghdad, no commitments were made. Instead, Belka told the ITG that Poland is in favor of Iraqi debt relief, but needs to consider the matter further. Belka asked the ITG to formulate possible "solutions" to help alleviate any public backlash the Polish government might incur by forgiving Iraqi debt, such as offering commercial deals to Polish companies in the oil and gas sectors and donating ground for a new Polish embassy in Iraq. Herczynski said the meeting resulted in no finalized quid pro quos, as the Polish press articles suggested. (The press articles intoned that an Iraqi pledge to not issue claims against Poland for damages to the Babylon archeological site was tied to an agreement on debt relief.)

[1](#)3. (SBU) Ministry of Finance contacts explained that the current Polish government is in favor of relieving Iraqi debt and views the Paris Club agreement as a model that it might follow. However, the Council of Ministers has decided not to enter into any agreements in the final days of the current government that would not be finalized before the expected change of power following Polish elections this fall. Rather, the current government will recommend to the incoming one to conclude some type of debt relief for Iraq, but will not take any binding actions in that regard, according to officials at the Ministry of Finance. In the interim, MoFin specialists are continuing to hold working-level discussions and exchanges of letters with Iraq to determine the actual amount of Iraqi debt held by Poland.

[1](#)4. (C) Comment. The Ministry of Finance offered one explanation why the current Polish government has decided to abstain from finalizing an agreement on Iraqi debt despite an internal consensus that it is in Poland's interest to do so. Herczynski candidly offered another explanation when he said that forgiving nearly a billion dollars in debt would be "political suicide" during the current election season. As such, it appears that making the final (and potentially sensitive) decision on this issue will fall on the future government. End comment.

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